

Senate Study Bill 1177

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
HUMAN RESOURCES BILL BY
CHAIRPERSON RAGAN)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act requiring insurance coverage benefits for treatment of
2 mental illness and substance abuse and providing an effective
3 date.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
5 TLSB 2180XC 82
6 av/es/88

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1 1 Section 1. Section 135H.3, Code 2007, is amended by adding
1 2 the following new unnumbered paragraph:
1 3 NEW UNNUMBERED PARAGRAPH. A child who requires treatment
1 4 for a mental illness or for substance abuse as defined in
1 5 section 514C.23, and meets the medical assistance program
1 6 criteria for admission to a psychiatric medical institution
1 7 for children shall be deemed to meet the acuity criteria for
1 8 inpatient benefits under a group policy, contract, or plan
1 9 providing for third-party payment or prepayment of health,
1 10 medical, and surgical coverage benefits issued by a carrier,
1 11 as defined in section 513B.2, or by an organized delivery
1 12 system authorized under 1993 Iowa Acts, ch. 158, that is
1 13 subject to section 514C.23.

1 14 Sec. 2. NEW SECTION. 514C.23 MENTAL ILLNESS AND
1 15 SUBSTANCE ABUSE TREATMENT COVERAGE.

1 16 1. Notwithstanding the uniformity of treatment
1 17 requirements of section 514C.6, a group policy or contract
1 18 providing for third-party payment or prepayment of health or
1 19 medical expenses issued by a carrier, as defined in section
1 20 513B.2, or by an organized delivery system authorized under
1 21 1993 Iowa Acts, chapter 158, shall provide coverage benefits
1 22 for treatment of mental illness and substance abuse if either
1 23 of the following is satisfied:

1 24 a. The policy or contract is issued to an employer who on
1 25 at least fifty percent of the employer's working days during
1 26 the preceding calendar year employed more than fifty full-time
1 27 equivalent employees. In determining the number of full-time
1 28 equivalent employees of an employer, employers who are
1 29 affiliated or who are able to file a consolidated tax return
1 30 for purposes of state taxation shall be considered one
1 31 employer.

1 32 b. The policy or contract is issued to a small employer as
1 33 defined in section 513B.2, and such policy or contract
1 34 provides coverage benefits for the treatment of mental illness
1 35 and substance abuse.

2 1 2. Notwithstanding the uniformity of treatment
2 2 requirements of section 514C.6, a plan established pursuant to
2 3 chapter 509A for public employees shall provide coverage
2 4 benefits for treatment of mental illness and substance abuse.

2 5 3. For purposes of this section:

2 6 a. "Mental illness" means mental disorders as defined by
2 7 the commission by rule.

2 8 b. "Substance abuse" means a pattern of pathological use
2 9 of alcohol or a drug that causes impairment in social or
2 10 occupational functioning, or that produces physiological
2 11 dependency evidenced by physical tolerance or by physical
2 12 symptoms when the alcohol or drug is withdrawn.

2 13 4. The commissioner, by rule, shall define "mental
2 14 illness" consistent with definitions provided in the most
2 15 recent edition of the American psychiatric association's
2 16 diagnostic and statistical manual of mental disorders, as the
2 17 definitions may be amended from time to time. The

2 18 commissioner may adopt the definitions provided in such manual
2 19 by reference.

2 20 5. This section shall not apply to accident only,
2 21 specified disease, short-term hospital or medical, hospital
2 22 confinement indemnity, credit, dental, vision, Medicare
2 23 supplement, long-term care, basic hospital and medical=
2 24 surgical expense coverage as defined by the commissioner,
2 25 disability income insurance coverage, coverage issued as a
2 26 supplement to liability insurance, workers' compensation or
2 27 similar insurance, or automobile medical payment insurance, or
2 28 individual accident and sickness policies issued to
2 29 individuals or to individual members of a member association.

2 30 6. A carrier, organized delivery system, or plan
2 31 established pursuant to chapter 509A may manage the benefits
2 32 provided through common methods including but not limited to
2 33 providing payment of benefits or providing care and treatment
2 34 under a capitated payment system, prospective reimbursement
2 35 rate system, utilization control system, incentive system for
3 1 the use of least restrictive and least costly levels of care,
3 2 a preferred provider contract limiting choice of specific
3 3 providers, or any other system, method, or organization
3 4 designed to assure services are medically necessary and
3 5 clinically appropriate.

3 6 7. a. A group policy or contract or plan covered under
3 7 this section shall not impose an aggregate annual or lifetime
3 8 limit on mental illness or substance abuse coverage benefits
3 9 unless the policy or contract or plan imposes an aggregate
3 10 annual or lifetime limit on substantially all medical and
3 11 surgical coverage benefits.

3 12 b. A group policy or contract or plan covered under this
3 13 section that imposes an aggregate annual or lifetime limit on
3 14 substantially all medical and surgical coverage benefits shall
3 15 not impose an aggregate annual or lifetime limit on mental
3 16 illness or substance abuse coverage benefits which is less
3 17 than the aggregate annual or lifetime limit imposed on
3 18 substantially all medical and surgical coverage benefits.

3 19 8. A group policy or contract or plan covered under this
3 20 section shall at a minimum allow for thirty inpatient days and
3 21 fifty-two outpatient visits annually. The policy or contract
3 22 or plan may also include deductibles, coinsurance, or
3 23 copayments, provided the amounts and extent of such
3 24 deductibles, coinsurance, or copayments applicable to other
3 25 medical or surgical services coverage under the policy or
3 26 contract or plan are the same. It is not a violation of this
3 27 section if the policy or contract or plan excludes entirely
3 28 from coverage benefits for the cost of providing the
3 29 following:

3 30 a. Care that is substantially custodial in nature.
3 31 b. Services and supplies that are not medically necessary
3 32 or clinically appropriate.

3 33 c. Experimental treatments.
3 34 9. This section applies to third-party payment provider
3 35 policies or contracts and plans established pursuant to
4 1 chapter 509A delivered, issued for delivery, continued, or
4 2 renewed in this state on or after January 1, 2008.

4 3 Sec. 3. Section 514C.22, Code 2007, is repealed.
4 4 Sec. 4. EFFECTIVE DATE. The section of this bill
4 5 repealing section 514C.22 takes effect January 1, 2008.

4 6 EXPLANATION

4 7 This bill amends Code section 135H.3 to provide that a
4 8 child who requires treatment for mental illness or substance
4 9 abuse as provided in new Code section 514C.23, and meets the
4 10 medical assistance program criteria for admission to a
4 11 psychiatric medical institution for children is deemed to meet
4 12 the acuity criteria for specified third-party payment of
4 13 inpatient benefits.

4 14 The bill creates a new Code section 514C.23 and provides
4 15 that a group policy or contract providing for third-party
4 16 payment or prepayment of health or medical expenses issued by
4 17 a carrier, as defined in Code section 513B.2, or by an
4 18 organized delivery system authorized under 1993 Iowa Acts,
4 19 chapter 158, shall provide coverage benefits for treatment of
4 20 mental illness or substance abuse if the policy or contract is
4 21 issued to an employer who on at least 50 percent of the
4 22 employer's working days during the preceding calendar year
4 23 employed more than 50 full-time equivalent employees; if the
4 24 policy or contract is issued to a small employer as defined in
4 25 Code section 513B.2, and such policy or contract provides
4 26 coverage benefits for the treatment of mental illness; or if
4 27 the plan is established pursuant to Code chapter 509A for
4 28 public employees.

4 29 The bill defines "mental illness" as mental disorders as
4 30 defined by the commission by rule. The commissioner is
4 31 directed to establish the definition of mental illness
4 32 consistent with definitions provided in the most recent
4 33 edition of the American psychiatric association's diagnostic
4 34 and statistical manual of mental disorders, as such
4 35 definitions may be amended from time to time. The
5 1 commissioner may adopt the definitions provided in such manual
5 2 by reference.

5 3 "Substance abuse" is defined as a pattern of pathological
5 4 use of alcohol or a drug that causes impairment in social or
5 5 occupational functioning, or that produces physiological
5 6 dependency evidenced by physical tolerance or by physical
5 7 symptoms when the alcohol or drug is withdrawn.

5 8 The bill provides that a carrier, organized delivery
5 9 system, or plan established pursuant to Code chapter 509A may
5 10 manage the benefits provided through common methods including
5 11 but not limited to providing payment of benefits or providing
5 12 care and treatment under a capitated payment system,
5 13 prospective reimbursement rate system, utilization control
5 14 system, incentive system for the use of least restrictive and
5 15 least costly levels of care, a preferred provider contract
5 16 limiting choice of specific providers, or any other system,
5 17 method, or organization designed to assure services are
5 18 medically necessary and clinically appropriate.

5 19 The bill provides that the new Code section created applies
5 20 to third-party payment provider contracts or policies and
5 21 public employer plans delivered, issued for delivery,
5 22 continued, or renewed in this state on or after January 1,
5 23 2008.

5 24 The bill repeals Code section 514C.22 concerning coverage
5 25 for biologically based mental illness, effective January 1,
5 26 2008.

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5 28 av:nh/es/88